

Annual Report

September 30, 2007

Honourable David Chomiak
Minister charged with the administration of The Gaming Control Act
104 Legislative Building
450 Broadway
Winnipeg MB R3C 0V8

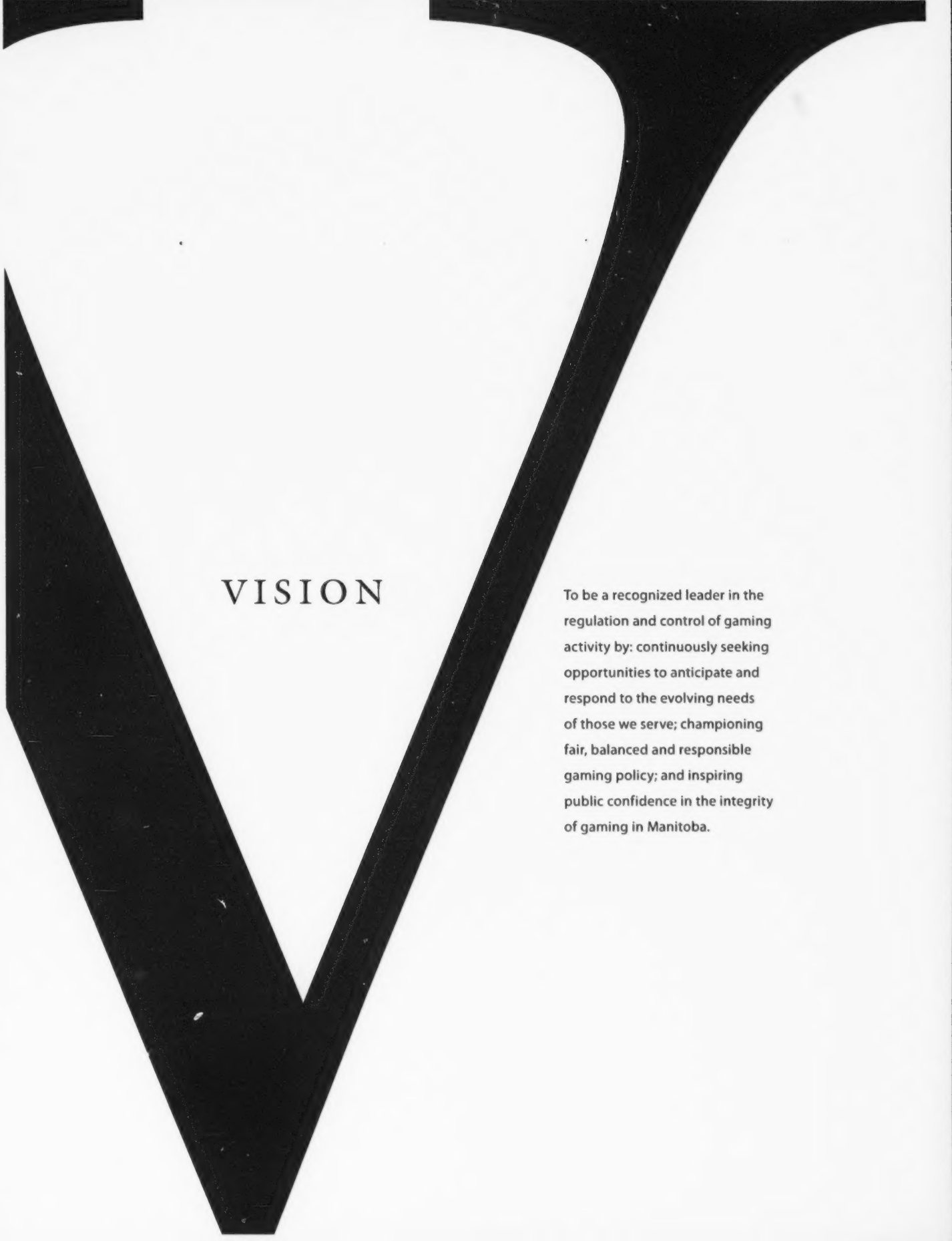
Dear Minister Chomiak:

I am honoured to present you with the annual report of the Manitoba Gaming Control Commission for the fiscal year ended March 31, 2007.

Respectfully,

A handwritten signature in black ink, appearing to read 'Darlene Dziewit', with stylized loops and flourishes.

Darlene Dziewit
Chairperson



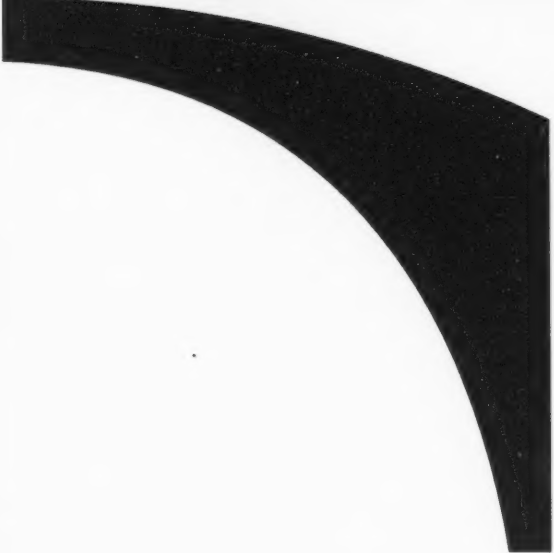
VISION

To be a recognized leader in the regulation and control of gaming activity by: continuously seeking opportunities to anticipate and respond to the evolving needs of those we serve; championing fair, balanced and responsible gaming policy; and inspiring public confidence in the integrity of gaming in Manitoba.

MISSION

To fulfill our vision by ensuring that gaming activity is conducted honestly, with integrity and in the public interest. We will achieve this by strengthening our knowledge base, implementing best practices, building strong communication channels, and using a balanced approach to deliver services and policy advice to effectively and responsively regulate and control gaming activities in our province for the benefit of all Manitobans.

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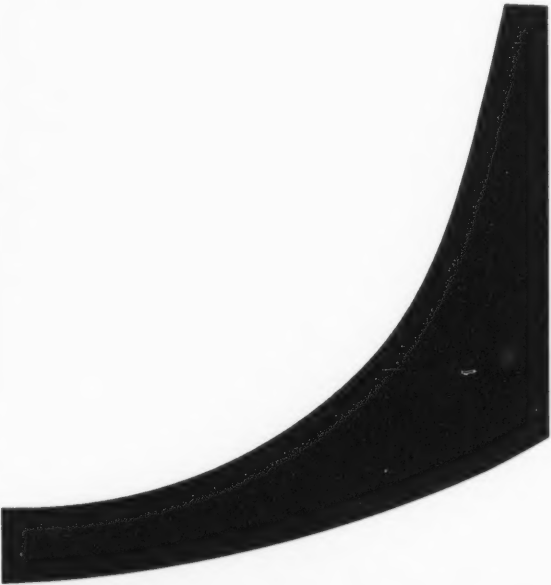
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MESSAGE FROM THE CHAIRPERSON



On February 1, 2007, the Manitoba Gaming Control Commission (MGCC) began licensing charitable Texas Hold'em poker tournaments. It is noteworthy that when the MGCC was established in 1997, poker events weren't of public interest, let alone considered licensable. Yet, as so often happens in our increasingly connected world, happenings elsewhere influence local events. In this case, an advance in video technology – the development of lipstick cameras – facilitated televised Texas Hold'em tournaments in the United States resulting in a burgeoning interest in similar events in Manitoba.

The MGCC's Board of Commissioners reached the decision to license these events following an extensive pilot study, external and internal consultations, advice from legal counsel and inter-jurisdictional research; this collaborative endeavour was led by the Board's Charitable Gaming Committee with tremendous support from MGCC staff. The lengthy and comprehensive evaluation was undertaken to assure public confidence in the integrity and honesty of these events by establishing a sound and valid licensing and compliance process to permit honest, fair and accountable operations. While the licensing of charitable poker tournaments provides Manitoba's charities with a new opportunity to raise funds for community benefit, there is a second aspect to the MGCC's decision: it also provides a response to questions related to consumer protection and to the legality of poker and other kinds of gaming events.

The Texas Hold'em phenomenon led many people to seek clarification on options for operating gaming events as charitable, private and business ventures. In response, the MGCC found itself in the position of describing the complex frame encompassing gaming laws, regulations, standards and terms and conditions and frequently answering the question, "What is a gaming scheme?" Briefly, if there is a payment to enter, a chance to win and a prize, the Criminal Code (Canada) considers it a gaming scheme and attaches significant legal limitations. This development also led to consideration of the broader issues of consumer protection and illegal operations and the MGCC's role in this regard. What began with a relatively narrow focus on poker tournaments expanded to highlight the complexity of gaming law and regulations and underscored several key aspects of the MGCC's mandate to ensure the honesty and integrity of gaming.

Our deliberations surrounding the decision to license Texas Hold'em tournaments were based on the fact that legal gaming activities in Canada are sanctioned under the Criminal Code (Canada) through provincial agencies mandated to:

1. directly manage and conduct gaming events; or
2. license charitable or religious organizations to manage and conduct gaming events.

These parameters for legal gaming create obligations, standards and societal expectations for consumer protection by providing avenues for complaints, resolution of disputes, confirmation of technical integrity and monitoring for cheating and fraud. This framework also permits the community as a whole to benefit from gaming revenue, either directly through charitable revenues or through government expenditures on programs and services. Illegal events, on the other hand, operate outside the Criminal Code (Canada); they are not monitored and there is no attempt to guarantee their honesty and integrity. There is no avenue or concern for consumer protection or redress. Illegal activities can compromise legitimate business operations and undermine sanctioned and regulated activities that operate for the benefit of the community, as opposed to the benefit of a few.

My purpose in highlighting the conduct of Texas Hold'em poker tournaments through the lenses of Manitoba's and, more broadly, Canada's gaming structure is to acknowledge that consumer interests, preferences and expectations will continue to influence regulators' responsibilities. Looking forward, it must be acknowledged that evolving technologies and increasing public comfort with the Internet will continue to press gaming's regulatory structure. This inevitability demands that regulators consistently apply and enforce the protections and legitimacy of a controlled and regulated gaming environment. On behalf of my Board colleagues, I look forward to the challenges of this evolution and to continuing to assure public confidence in the honesty and integrity of gaming offered to Manitoba's citizens.



Darlene Dziewit
Chairperson

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REMARKS FROM
THE EXECUTIVE DIRECTOR

As detailed in Ms. Dziewit's message, the laws, regulations, terms and conditions, standards and policies that comprise Manitoba's gaming framework exist for a multiplicity of reasons, including consumer protection and public confidence. It is the responsibility of the management and staff of the Manitoba Gaming Control Commission (MGCC) to meet the regulatory obligations directed by this structure to consistently: license eligible charities and religious organizations; register employees, equipment, suppliers and operators; confirm the integrity of licences and registrations; verify accountability; and ensure compliance with laws, regulations, agreements and terms and conditions. These activities combine to ensure that gaming in Manitoba is conducted with honesty, integrity and in the public interest.

During 2006/07, requests by charitable organizations and inquiries from the public led the MGCC to develop and implement a viable regulatory structure for Texas Hold'em poker tournaments, Manitoba's first new licensable event since the mid-1990s. To accomplish this undertaking at the direction of the Board of Commissioners, every unit and department contributed expertise, research, training and advice to address the two key regulatory issues related to the popularity of poker events: charitable organizations' interest in hosting poker tournaments and the legality of poker. As such, in approaching the development of this new structure, management and staff sought to provide the Charitable Gaming Committee of the Board of Commissioners with regulatory recommendations that would:

- Provide charitable and religious organizations in Manitoba with a new opportunity for fundraising through the conduct of an increasingly popular gaming activity.
- Create a clear boundary for Manitobans between licensed and unlicensed poker events. Licensed charitable events would provide players with the assurance that the games are regulated by the MGCC and that appropriate measures are in place to ensure fairness, integrity and accountable use of proceeds.
- Generate opportunities for bar and hotel owners to partner with charitable organizations in hosting licensed Texas Hold'em events, thereby removing the risk that they may entail to their business operations by hosting potentially illegal gaming activity in their premises.

Ultimately, the decision to license Texas Hold'em poker tournaments created an avenue for legal and accountable events conducted by charitable organizations for community benefit, in response to player interest and in partnership with local business. I encourage the reader to review our website at www.mgcc.mb.ca for guidance on the application and approval process, details on terms and conditions for operations, answers to frequently asked questions and reporting and accountability documents. Despite this information, given the complexity of Criminal Code (Canada) provisions and prohibitions, individuals and businesses may still have difficulty in assessing all aspects of legality. For example, consideration must be given to whether there is benefit through entry fees, food or beverage sales or premises rentals. As the MGCC is not able to provide legal advice, we have long and strongly cautioned that proposed events, poker or otherwise, be scrutinized by independent legal counsel to assure legality and to protect business operations, including sanctioned gaming operations like VLTs.

Notwithstanding these cautions, from time to time, public complaints are made about suspected illegal activities. During 2006/07, the MGCC launched several investigations in response to such concerns about poker events and worked closely with businesses, law enforcement agencies and Manitoba Justice to remedy identified concerns. While the MGCC always prefers cooperative resolution, responses may escalate from guidance and information through to training, cautions, order-making and full-blown investigation. Legislative amendments in 2005 expanded the MGCC's investigative and compliance mandate to authorize investigations into allegations of illegal gaming and fraud and to enable the MGCC to work cooperatively with policing authorities in matters involving criminal investigations and charges.

These powers were granted to the MGCC in response to public concerns about unsanctioned gaming, fraud and accountability for revenue. Their purpose is to ensure that gaming is conducted as established by law and as expected by the public. The MGCC takes these responsibilities and the public's trust seriously and will continue to apply federal and provincial laws and regulations to assure consumer protection and confidence in gaming in Manitoba.



F.J.O. (Rick) Josephson
Executive Director



ABOUT THE MANITOBA GAMING CONTROL COMMISSION

Authority and Responsibilities

The Manitoba Gaming Control Commission (MGCC) derives its authority and responsibilities from The Gaming Control Act and accompanying regulation, as permitted by the Criminal Code (Canada). Under this federal legislation, each province establishes its own regulatory and operating regimes within the prohibitions and permissions defined by Sections 206 and 207 of the Criminal Code (Canada) and within the context and scope of the gaming environment. In Manitoba, the MGCC is the primary gambling regulatory body responsible for a range of traditional charitable gaming licensing and inspections, and more recently, for less traditional responsibilities including social policy research and consumer protection education. With the aims of ensuring that gaming activities are conducted honestly, with integrity and in the public interest, the MGCC:

- licenses charitable gaming activities, including bingo, breakopen tickets, raffles, sports draft lotteries and Texas Hold'em tournaments;
- registers First Nations casino operators, Manitoba Lotteries Corporation (MLC) and First Nations employees, gaming suppliers, gaming equipment and video lottery terminal (VLT) siteholders;
- investigates and makes orders related to gaming patron disputes;
- inspects and audits gaming activities;
- ensures all gaming has technical integrity;
- monitors and enforces compliance with gaming-related legislation;
- conducts independent and joint research projects;
- performs responsible gaming education and policy oversight functions; and
- provides policy advice to the Minister charged with the administration of The Gaming Control Act (the Minister) on current gaming activities and emerging issues.

The MGCC is guided by a Board of Commissioners that reports to the Minister. Operational activities are carried out by 52 employees, led by an executive director.

Finances and Resources

The MGCC is self-funding, obtaining its operating revenue from licence and registration fees established via regulation. The MGCC does not receive any revenue from the Provincial Consolidated Revenue Fund. The Gaming Control Act permits the MGCC to establish its own bank account and operating line of credit. The annual business plan, which details operational objectives and budget estimates, is approved by the Board of Commissioners, reviewed by the Minister and approved by the Minister of Finance. The complete financial statements for the year ended March 31, 2007, are presented in this report beginning on page 36.

Appeals and Disputes

The Gaming Control Act directs the Board of Commissioners to conduct hearings and make rulings on appeals of the executive director's decisions and orders. In this quasi-judicial role, a quorum of commissioners considers all evidence presented by both parties before making a ruling. The MGCC's hearings are open to the public, although a hearing, or portions of a hearing, may be closed in instances where financial, private or proprietary information is being presented. Decisions are publicly available. Appeals of the Board of Commissioners' decisions may be made to the Court of Queen's Bench under Section 45(2) of The Gaming Control Act. One hearing was requested during 2006/07; this hearing is pending.

ORGANIZATIONAL STRUCTURE



Interagency Cooperation

Liaising with external organizations permits the MGCC to benefit from others' experience and to share its own expertise. The MGCC cooperates frequently with numerous agencies worldwide to share information and undertake initiatives related to gaming regulation. These organizations include:

Addictions Foundation of Manitoba
 Alberta Gaming Research Institute
 Assembly of Manitoba Chiefs
 Canadian Centre on Substance Abuse
 Canadian Gaming Regulators Association
 and member jurisdictions/agencies
 Canadian Partnership for Responsible Gambling
 City of Winnipeg Licensing Department
 Criminal Intelligence Service
 (Canada and Manitoba)
 Eastern Cape Gambling and Betting
 Board (South Africa)
 Greater Winnipeg Community Centres Council
 Manitoba Association of Municipalities

Manitoba Justice
 Manitoba Hotel Association
 Manitoba Liquor Control Commission
 Manitoba Lotteries Corporation
 Manitoba Restaurant and Food Services Association
 Manitoba Protective Officers Association
 Midwest Gaming Investigators and Regulators
 Municipal policing authorities
 North American Gaming Regulators Association
 and member jurisdictions/agencies
 Ontario Problem Gambling Research Centre
 Responsible Gambling Council (Ontario)
 Royal Canadian Mounted Police
 Western Canada Lottery Corporation

CORPORATE SCORECARD

The MGCC's overall accomplishments for the 2006/07 fiscal year are presented in the corporate scorecard. The scorecard assesses the MGCC's goals, strategies and accomplishments from four distinct perspectives: clients, learning and growth, finance and internal business processes. The scorecard is a valuable tool for enhancing accountability through consistent measurement of performance against aims and through the refinement of resource assessment and allocation due to improved annual plan development and results tracking.

CLIENTS

Licence holders

Registrants

First Nations Gaming
Commissions

Players

MGCC Board of Commissioners,
management and staff

Manitoba First Nations

Manitoba municipalities

General public

Media

Minister charged with the
administration of The Gaming
Control Act

GOAL

Ensure gaming activity is conducted honestly, with integrity and in the public interest.

STRATEGIES

- Develop and deliver innovative and proactive gaming integrity and compliance initiatives to effectively regulate and control gaming activities.
- Advance public interest mandate to focus on social policy implications and responsible gaming initiatives.
- Build and enhance strong communication channels with clients.
- Balance the opinions and interests of stakeholders and partners within the context of reasoned and sound regulation and control.

ACCOMPLISHMENTS

- Authorized the conduct and management of Texas Hold'em poker tournaments under 207(1)(b) of the Criminal Code (Canada), the first new licensed event in Manitoba since 1994. This permits charitable and religious organizations to raise money for charitable purposes, responds to public demand for secure and fair events and clarifies the MGCC's position on unregulated and illegal events. All units and departments were involved in this initiative.
- Confirmed the integrity of 3,743 licensing, registration and technical integrity applicants via comprehensive background investigations and the application of technical integrity standards and licence and registration terms and conditions. These activities are integral to the operation of all casino, VLT and charitable gaming events in Manitoba. In total, 2,578 registrations (gaming employee and supplier), 782 charitable licences, 239 technical integrity approvals and 144 interim technical integrity approvals were issued. As well, two technical integrity investigations and nine technical integrity casino inspections were conducted in keeping with the MGCC's standards and protocols.

CORPORATE SCORECARD 2006/07

- Implemented a new community raffle program to streamline and simplify the application and licensing process for charitable raffles with anticipated gross revenue of \$5,000 or less.
- Initiated a VLT siteholder registration process with the development of a registration application and terms and conditions.
- Ensured compliance with legislative requirements, game integrity standards and terms and conditions through comprehensive audit and inspection programs, proactive and responsive issues investigations, client training and support and interagency collaboration. Conducted 668 client training sessions, 1,073 inspections, 2,611 cursory audit reviews, 484 annual licence holder and First Nations Gaming Commission audit reviews and 205 investigations.
- Investigation outcomes:
 - Seven investigations were found to involve criminal offences: four were forwarded to policing authorities, two were resolved via alternative measures and one is under investigation.
 - Eight investigations were found to involve regulatory offences and were resolved via letters of reprimand.
- Demonstrated leadership and innovation by developing and hosting a week-long illegal gaming investigation training course for 25 police officers from federal and municipal policing authorities.
- Completed a full complement of gaming inspection services, with the addition of a comprehensive casino inspection program, including responsible gambling provisions, to the existing charitable gaming and VLT site inspection programs.
- Implemented new accountability reporting requirements for licensing authorities and First Nations VLT sites. Led by the Audit Department, this initiative proactively built positive and productive relationships with Manitoba municipalities and First Nations through advisory, training and support services. Formal reporting by these bodies is required for the 2006/07 fiscal year.
- Revised appeal hearing procedures to clarify new responsibilities resulting from legislative amendments.
- Provided responsible gambling and consumer protection information via a province-wide information campaign, targeted client information, website information and public advisories.
- Fulfilled legislative requirement to review the responsible gambling policies for MLC, Aseneskak Casino and South Beach Casino. Formal recommendations were provided to each organization in June 2006; implementation by South Beach Casino confirmed in late 2006; implementation by MLC and Aseneskak Casino is pending.
- Engaged in several independent and collaborative research projects as outlined in the 2006/07 Research Status Report on page 31.
- Ensured over 99% availability of all major information technology systems, including public access at www.mgcc.mb.ca.
- Provided information, guidance and advice to clients proactively and in response to emerging issues and requests, via a variety of formats.

BUSINESS PROCESSES

GOAL

To excel in service to clients; champion fair, balanced and responsible gaming policy; and inspire public confidence in the integrity of gaming activities in Manitoba.

STRATEGIES

- Develop and deliver innovative, streamlined and consistent gaming integrity and compliance processes that ensure the integrity, fairness and accountability of gaming activity in the province.
- Develop and deliver corporate and administrative services, including finance, information technology, communications, research and planning.
- Make optimal use of employees, resources and technology.

CORPORATE SCORECARD 2006/07

ACCOMPLISHMENTS

- Established a strong game integrity and compliance framework to assure the honesty and fairness of charitable Texas Hold'em poker tournaments licensed in Manitoba. Highlights include:
 - Integrity and compliance conditions were assured via the implementation of Canada's first pilot study to research, assess and balance regulatory options and imperatives.
 - Twenty-three pilot events conducted by 12 charitable organizations laid the foundation for the eventual licensing criteria. The pilot study also included input from players, suppliers, dealers, internal and external stakeholders and other jurisdictions.
 - Between February 1, 2007, and March 31, 2007, the MGCC received 25 applications and issued 15 licences.
- Ensured the integrity of gaming paper and products and gaming management services via the development and implementation of new registration requirements, standards and terms and conditions.
- Maintained the integrity of 1,253 active charitable licences via consistent and comprehensive licence holder data management procedures including organizational updates, licence amendments and application of licence terms and conditions.
- Advanced investigation and enforcement capacity via Manitoba Justice special constable appointments for nine MGCC employees.
- Facilitated financial reporting by clients via new electronic reporting initiatives for Texas Hold'em licence holders and First Nations VLT operators.
- Improved compliance and reporting processes as a result of increased and enhanced inspection, training and advisory services.
- Development of the Gaming Management System continued to expand information technology capacity and capabilities for gaming integrity and compliance responsibilities.
- Maintained healthy and secure information technology systems via proactive hardware and software upgrades, strong security and firewall measures, enhanced client services and user information and a new automated patching system.
- Maintained and upgraded the disaster recovery office and resources for information technology systems and internal and external communications, which permits continued operations in the event of a disaster or significant work disruption.
- Completed the corporate and operational records management initiative with the approval of all MGCC records schedules by Manitoba Archives.
- Implemented a French Language Services Policy; submitted accomplishments to the French Language Services Secretariat for their reporting.
- Provided full corporate and operational services in the areas of information technology, finance and administration, research, communications, planning and human resources services.
- Completed negotiations of a four-year collective agreement, effective March 18, 2006, to March 25, 2010.
- Resolved workspace overcrowding issues by leasing additional office and meeting space within the MGCC's current Winnipeg location.

LEARNING AND GROWTH

GOAL

Maximize performance and productivity and encourage a positive and professional work environment.

STRATEGIES

- Establish and implement innovative corporate human resources development initiatives that strengthen the MGCC's knowledge base through training, performance management, professional development and succession planning.
- Establish processes and initiatives that support and encourage staff innovation, accountability and empowerment.
- Attract, retain and develop qualified employees.

CORPORATE SCORECARD 2006/07**ACCOMPLISHMENTS**

- Established a full-time, on-site human resources position, effective April 1, 2006.
- Developed and implemented a comprehensive, multi-year, human resources plan (2006-2010), focusing on improving communication, a human resources policy review, employee performance management and professional development.
- Introduced a performance management program to all managers via a customized training and resource manual for April 1, 2007, implementation.
- Provided over 3,500 hours of employee training and professional enhancement in support of knowledge, specialized skill set and competency development.
- Facilitated skills development as a succession planning tool via job shadowing, mentoring, cross-training and management training opportunities.
- Enhanced internal communication and feedback via annual staff meeting and employee feedback survey, improvement strategy and results reporting.
- Completed reciprocal human resources benefit transfer agreements with MLC and the Province of Manitoba to support recruitment.
- Demonstrated leadership and support for specialized conference and professional development opportunities:
 - The MGCC will host the Canadian Gaming Regulators Association annual meeting, September 2007.
 - The MGCC will host a Registration Investigators Roundtable, October 2007.
 - The MGCC is sponsoring the National Aboriginal Gambling Awareness Conference in cooperation with the Assembly of Manitoba Chiefs, June 2007.

CORPORATE SCORECARD 2006/07
FINANCE
GOAL

Manage financial resources and assets to ensure and demonstrate fiscal responsibility, financial accountability and operational sustainability.

STRATEGIES

- Ensure financial accountability and transparency through corporate and operational planning and reporting activities.
- Maintain internal control standards in keeping with established financial policies and procedures.
- Oversee financial, corporate and human resources to maximize operations and enhance client service.

ACCOMPLISHMENTS

- Achieved budget targets established in the annual business plan. 2006/07 budgeted operating expenses were \$5,045,400; actual operating expenses were \$4,901,600, \$143,800 under budget.
- The Board of Commissioners established a formal Audit Committee with an independent advisor, as recommended by the Office of the Auditor General (OAG).
- Quarterly financial statements were reviewed and analyzed by the Audit Committee and accepted by the Board of Commissioners.
- Received clear opinions from the OAG for the 2005/06 financial and legislative compliance audits.
- 2005/06 annual report, including audited financial statements, was tabled in the Manitoba Legislature.
- Submitted the 2007/08 business plan for approval by the Board of Commissioners and the Treasury Board. Board of Commissioners approval granted in February 2007; Treasury Board approval pending as of March 31, 2007.
- Enhanced general accountability and budget management skills by providing monthly annotated financial statements to senior managers.
- Maximized revenue and financial sustainability via daily review and management of investment funds.

OPERATIONAL OVERVIEW

The following pages describe the MGCC's departmental goals, operational strategies and key accomplishments for the 2006/07 fiscal year. Each department is portrayed individually, but as demonstrated by the corporate scorecard, interdepartmental cooperation and collaboration are key to meeting corporate goals.

GAMING INTEGRITY

Integrating licensing, registration and technical integrity responsibilities, the departments within the Gaming Integrity Unit authorize the management and conduct of charitable gaming activities; register employees, suppliers, siteholders, operators and equipment; and confirm the integrity of gaming equipment.

STRATEGIES

- Develop and refine licensing, registration and game integrity procedures, policies and processes to fully support new initiatives, ensure public confidence and enable reliable and effective services.
- Communicate accurate and consistent information about legislation, regulation, terms and conditions, technical integrity standards, and policies and procedures to all stakeholders.
- Collaborate and exchange information with other organizations to broaden the MGCC's scope of regulatory knowledge.

In 2006/07, the three departments comprising the Gaming Integrity Unit confirmed the integrity of 3,743 licensing, registration and technical integrity applicants through the application of licence and registration terms and conditions, technical integrity standards and comprehensive background investigations.

LICENSING

GOAL

To ensure the integrity of gaming events conducted by eligible charitable and religious organizations by authorizing their operation as permitted by legislation and regulation and as established by specific terms and conditions.

OPERATIONAL STRATEGIES

- Ensure the integrity of licensed gaming activities, including bingo, breakopen tickets, raffles, sports draft lotteries, Texas Hold'em poker tournaments, media bingo, Calcutta auctions and Monte Carlo, through a comprehensive application and approval process. This process includes scrutinizing proposed events, eligibility, operations, prizes and use of proceeds; responding to requests for assistance and information; and sharing information and advice with other departments.
- Improve communication with clients and other stakeholders to increase knowledge about licensing policies, standards and processes. Continually review and develop licensing procedures and policies to improve workflow and information-sharing and to promote high standards of client service.
- Provide leadership on new opportunities for charitable gaming regulation and authorization.

KEY ACCOMPLISHMENTS

- Headed the MGCC's working group to determine the feasibility of licensing charitable Texas Hold'em poker tournaments in Manitoba. This included taking the lead on inter-jurisdictional research; developing materials, terms and conditions and policies for a pilot study; preparing recommendations; and directing the complex range of tasks necessary for the implementation of Texas Hold'em licensing on February 1, 2007. This was the first new licensed charitable gaming scheme in Manitoba since the early 1990s.
- Developed and implemented a new community raffle program in January 2007 to simplify and streamline the application and licensing process for raffles with

anticipated gross revenue of \$5,000 or less, while maintaining eligibility principles. The new licensing process is easier for organizations holding these kinds of events and permits the MGCC to focus resources on more complex gaming activities. Approximately 50% of all raffle licence holders will benefit from the new, streamlined community raffle program.

- Established task, process and client service tracking and reporting mechanisms to facilitate assessments of resource use and client satisfaction and to support the refinement of staff time and skill allocations. This allows for a more effective use of resources to improve client service.

CHARITABLE LICENCES: A CLOSER LOOK

There were a total of 1,253 active charitable gaming licence holders in 2006/07.

- 782 charitable gaming licence applications were reviewed and approved during the fiscal year for 682 different charitable organizations; 106 were first-time applicants.
 - 266 licences were for ongoing events: 141 bingo, 101 breakopen, 9 media bingo, 13 raffle and 2 Texas Hold'em poker tournaments*.
 - 516 licences were for limited series or single events: 57 bingo, 33 breakopen, 373 raffle, 29 Texas Hold'em poker tournaments* and 24 other**.
- There were also 471 ongoing active licences with one or two years left in their three-year licence periods: 256 bingo, 194 breakopen, 17 media bingo and 4 raffle.
- Approximately 1,160 licence amendment requests were processed in 2006/07.
- Of the 31 Texas Hold'em poker tournament licences approved during the 2006/07 fiscal year, 16 were issued to organizations as part of the Texas Hold'em pilot study in April and May 2006.

** Licences classified as "other" include 10 Monte Carlo events, 1 sports draft lottery and 13 Calcutta auctions.

REGISTRATION

GOAL

To ensure the integrity of gaming activities in Manitoba by registering gaming industry employees, suppliers, operators and VLT siteholders in accordance with the terms and conditions of registration and regulatory requirements.

OPERATIONAL STRATEGIES

- Investigate registration applicants to prevent those who might be a detriment to the integrity and honesty of gaming activities from participating as employees, suppliers or operators in Manitoba's gaming industry.
- Confirm the continued integrity and honesty of all current registrants through annual registration review and renewal processes.
- Register all VLT siteholders and, in conjunction with the Compliance Department, ensure they meet all registration terms and conditions.
- Refine policies and practices to improve communication strategies with registrants and other industry stakeholders and to address registration and regulatory issues identified through inter-jurisdictional information sharing.

KEY ACCOMPLISHMENTS

- Began to implement key updates to improve supplier registration through enhanced process efficiency and policy consistency. This included developing a new supplier category to authorize the supply of gaming management services to charitable licence holders,

introducing new application packages and terms and conditions, and implementing improvements to supplier registration investigations and renewals.

- Redeveloped internal VLT siteholder information gathering and data management processes to facilitate the full implementation of VLT siteholder registration. This included enhancing file structures, redesigning some of the MGCC's information technology Gaming Management System tools, and updating the Problem Gambling Assistance Program's communication and tracking processes.
- Improved consistency of employee registration by standardizing employee registration packages for all work sites and improving communication about registration policies and procedures with gaming industry employers.
- Met department goals and client service expectations by maintaining an average three-day turnaround for new employee applications.

Gaming Industry Employee Registrations

- *All gaming industry employees must obtain and maintain registration with the MGCC. Background investigations (e.g., criminal record and credit checks) are conducted on each potential new MLC, Aseneshak Casino and South Beach Casino employee. These measures prevent those who might be a detriment to the integrity of gaming from working in the gaming industry.*
- *Registration applications are completed within three days when no concerns are noted during the course of background investigations. When applicants declare criminal records or their applications raise other concerns, in-person interviews are conducted to address these issues and ensure that registration criteria are satisfied.*
- *Employee registrations are renewed annually, which includes performing new background investigations to ensure all current employees maintain good standing. Incidents reported by the MLC, South Beach Casino and Aseneshak Casino or by current employees are investigated and weighed in the context of registration criteria.*
- *If it is deemed that the criteria of honesty and integrity have not been met or maintained, employee applicants may be denied registration and current employees' registrations may be suspended. Under these circumstances, the individual may request a hearing by the MGCC's Board of Commissioners.*

REGISTRATION OVERVIEW As of March 31, 2007

MLC new applicant employee registrations	314
MLC employee renewals	1,726
Aseneshak Casino new applicant employee registrations	109
Aseneshak Casino employee renewals	91
South Beach Casino new applicant employee registrations	142
South Beach Casino employee renewals	155
Current gaming suppliers	41
VLT siteholder registrations	541

TECHNICAL INTEGRITY

GOAL

To ensure the technical integrity of all gaming conducted and managed by charitable gaming event licence holders and the MLC, including all gaming activities operated at First Nations casinos.

OPERATIONAL STRATEGIES

- Develop, enhance and enforce technical integrity standards and terms and conditions for all types of technical integrity approvals, including the review of new games, activities and technologies.
- Register all gaming devices, including VLTs, slot machines, lottery ticket terminals and gaming tables in accordance with technical standards, gaming control legislation and regulation. Approve hardware and software, including upgrades, for electronic gaming equipment and approve all non-electronic gaming equipment and associated components.
- Conduct regular technical integrity inspections of all gaming equipment in use in Manitoba and conduct investigations into issues resulting from regular inspections and in response to patron complaints.
- Work with MGCC licence holders, the MLC, First Nations casino operators, gaming suppliers, independent testing laboratories and other North American regulatory agencies to confirm that the MGCC's technical integrity standards are met and maintained. This includes assessing, testing and verifying the electronic, mechanical and physical integrity of gaming devices to ensure they cannot be compromised.

The Technical Integrity Department's complex responsibilities range from confirming electronic and mechanical equipment function and statistical probabilities to keeping pace with emerging technologies and approving game design and operations.

KEY ACCOMPLISHMENTS

- Assessed the technical integrity of several major electronic gaming systems upgrades initiated by MLC. This included approving the testing and pilot location trial for the new VLT central system; reviewing and approving new self-redemption player kiosks at MLC casinos; and initiating a new technical integrity approval process for the replacement of MLC's electronic bingo system.
- Established consistent integrity standards for bingo paper and media bingo products by developing technical standards and terms and conditions. Close collaboration with other MGCC departments and external stakeholders, such as suppliers and licence holders, ensured consistent and appropriate implementation.
- Continued to review, develop, and provide advice on technical integrity issues for all aspects of gaming in Manitoba, including guidance on emerging technologies, multi-player gaming devices and server-based gaming.
- Researched and investigated 14 consequential technical integrity issues as follow-ups to inspections or in response to reports from gaming operators and licence holders or patron complaints. Necessary remedies and resolutions were prescribed and overseen by the MGCC.

NEW TECHNICAL INTEGRITY APPROVALS As of March 31, 2007

New slot machine models	1
Software associated with gaming devices	102
Table games and associated equipment	44
Table game rules of play and tournament rules and regulations	14
Breakopen ticket games	3
Bingo physical components	75

TABLE GAME/BINGO/BREAKOPEN AMENDMENTS As of March 31, 2007

Electronic equipment	1
Table games	36
Bingo and breakopen products	107

GAMING COMPLIANCE

Integrating audit, inspections, investigations and regulatory affairs responsibilities, the departments within the Gaming Compliance Unit monitor, investigate and confirm the integrity of MGCC-sanctioned events, individuals and operations.

STRATEGIES

- Perform regular, consistent inspections and financial and business practice reviews to set appropriate and accurate expectations with stakeholders and to facilitate cooperative resolution for identified areas of concern.
- Develop and implement targeted professional development opportunities to improve capacity to consistently apply legislative, regulatory, licensing, registration and game integrity requirements.
- Develop cooperative relationships with internal and external stakeholders to open and improve communication, create opportunities for shared learning and enhance the MGCC's ability to ensure the integrity of gaming in Manitoba.
- Develop standards, policies and practices to appropriately and consistently set client expectations and to serve as benchmarks for performance tracking.

AUDIT

GOAL

To provide assurance that the financial reports and audited statements of licensed organizations; First Nations VLT siteholders, casinos and gaming commissions; and other licensing authorities are appropriate and accurate.

OPERATIONAL STRATEGIES

- Review and analyze all submitted financial information to confirm audit compliance, identify concerns and work closely with stakeholders and other MGCC departments to cooperatively achieve solutions.
- Provide education, training and support services that promote effective, consistent record keeping and reporting by stakeholders. This includes the development of improved tools and resources for financial reporting.

KEY ACCOMPLISHMENTS

- Significantly increased all client contact by implementing a new communications, inspections and training plan for municipalities, First Nations Gaming Commissions and First Nations VLT siteholders. This plan allowed the MGCC to form positive relationships and to improve cash management, financial and business practices among these stakeholders.
- Recorded over 2,450 contacts with clients. Contacts included training sessions, inspections, financial practice reviews, meetings, correspondence and responses to inquiries.
- Enhanced and simplified reporting mechanisms to facilitate more accurate reporting. These improvements, which included the development of new electronic reporting processes, advanced information flow between clients and the MGCC and increased client satisfaction with financial reporting processes.
- Reviewed more than 3,000 financial documents to analyze and assess their accuracy in accordance with audit standards and applicable terms, laws and regulations. Instances requiring remedy resulted in recommendations, training and support to the stakeholders or referrals to other MGCC departments for further investigation.

CHARITABLE GAMING OVERVIEW Fiscal Year 2006/07 (\$Millions)

Event Type	Licensed Events		Gross Revenue		Prizes Paid		Total Expenses		Net Profit	
	06/07	05/06	06/07	05/06	06/07	05/06	06/07	05/06	06/07	05/06
Bingo	337	423	\$48.2	\$54.6	\$38.4	\$44.4	\$5.2	\$6.4	\$4.6	\$3.8
Breakopen	288	361	4.7	5.5	3.3	3.8	0.4	0.5	1.0	1.2
Raffle	210	215	13.3	11.0	5.5	4.1	2.8	2.0	5.0	4.9
Texas Hold'em*	31	–	0.1	–	0.0	–	0.0	–	0.1	–
Media Bingo	24	38	4.5	5.3	3.2	1.9	0.7	0.6	0.6	2.8
Other	6	11	0.1	0.1	0.1	0.2	0.0	0.0	0.0	(0.1)
Totals:	896	1,048	\$70.9	\$76.5	\$50.5	\$54.4	\$9.1	\$9.5	\$11.3	\$12.6

In addition, there were 357 licences issued to organizations who, due to reporting thresholds, were not required to submit financial reports or licence fees (117 bingo, 40 breakopen, 180 raffle, 2 media bingo and 18 other) and are therefore not reflected in the above chart.

* Of the 31 Texas Hold'em licences approved during the 2006/07 fiscal year, 16 were issued to organizations as part of the Texas Hold'em pilot study in April and May 2006.

COMPLIANCE

GOAL

To confirm that gaming activities are conducted and managed in accordance with Manitoba's gaming legislative and regulatory regime, including terms and conditions and enabling agreements.

OPERATIONAL STRATEGIES

- Develop and implement compliance standards, policies and procedures based on legislative and regulatory requirements, licensing and registration terms and conditions and inspection and investigation best practices.
- Conduct regular, frequent inspections as per established standards to verify compliance and to identify and document irregularities or contraventions.
- Based on inspection outcomes, to work with clients and other MGCC departments to seek resolutions and remedy deficiencies.
- Provide ongoing education, training and support to build positive relationships and increase stakeholders' abilities and knowledge to meet and maintain compliance with all licensing, registration and enabling agreement requirements.

KEY ACCOMPLISHMENTS

- Significantly enhanced the inspections program by increasing frequency of inspections and on-site stakeholder training. This included implementing new standards and policies, enhancing inspections reporting and tracking practices and improving training and work resources. The advanced inspections program improved compliance with licensing and registration requirements and increased information sharing and collaboration among the MGCC's departments.
- Successfully integrated the new casino inspections program into the existing inspections program. This required building expertise among compliance officers and developing an advisory perspective and role that fosters cooperative relationships with casino staff and management.
- Expanded the MGCC's investigative role with the appointment of nine special constables by Manitoba Justice. This occurred through comprehensive, ongoing specialized training; the execution of new policies and procedures to support the investigation of illegal activities; and a renewed commitment to nurturing cooperative relationships with law enforcement agencies.

FIRST NATIONS GAMING COMMISSION COMPLIANCE As of March 31, 2007

26	Gaming commissions were compliant
2	Gaming commissions were non-compliant
4	Gaming commissions were not functioning (e.g., no board or staff in place)
1	Gaming commission was suspended
33	Total

REGULATORY AFFAIRS

GOAL

To provide advice, information and support to other MGCC departments and external stakeholders regarding gaming legislation and regulation, terms and conditions, investigation and inspection processes and regulatory standards and practices.

OPERATIONAL STRATEGIES

- Monitor gaming-related issues and trends and identify opportunities to address them proactively. This includes regularly liaising with policing agencies, Manitoba Justice, internal stakeholders and other regulators to share expertise and inform initiatives.
- Lead the development of new programs and special training initiatives to ensure Manitoba's regulatory regime appropriately protects the honesty and integrity of gaming activities in Manitoba and ensures continued public confidence in these activities.

KEY ACCOMPLISHMENTS

- Led numerous specialized training initiatives for the Gaming Compliance Unit and other staff to support development of the expertise required to meet new areas of responsibility and to support the implementation of new initiatives. These included:
 - offering comprehensive casino inspections training that covered such varied topics as surveillance standards, cash management procedures and casino games training;
 - developing a special constable program to ensure that all inspections and investigations are conducted in accordance with all applicable federal and provincial legislation and regulation and that appropriate investigative and evidence gathering standards are met; and
 - coordinating a week-long course on illegal gaming hosted by the MGCC, attended by law enforcement officers from federal and provincial policing agencies, and featuring sessions by Manitoba Justice officials, the Ontario Provincial Police Illegal Gambling Unit and the Canada Revenue Agency.
- Led significant relationship development with key stakeholders in justice and law enforcement, casino operation and security, and other regulatory agencies. These stronger ties facilitated the MGCC's new casino inspections and special constable responsibilities and advanced the scope and capacity of the MGCC's specialized training programs.

The Compliance and Regulatory Affairs Departments spent 1,404 hours on specialized training and professional development in 2006/07, including courses on casino inspections, illegal gaming and regulatory investigations. These opportunities build expertise among staff and allow the departments to more effectively accomplish new initiatives and responsibilities.

RESEARCH, COMMUNICATIONS AND PLANNING

This department's diverse responsibilities focus on MGCC's responsible gambling education, research, public interest and policy advisory mandates, as well as public communications, corporate planning and accountability processes, and human resources management.

GOAL

To support the MGCC's regulatory and public interest mandates through research, policy information and advice, appropriate stakeholder communication and the facilitation of corporate planning and reporting.

OPERATIONAL STRATEGIES

- Conduct independent and collaborative research to support public policy development, inform operations and build knowledge about gaming. The MGCC's research program is guided by a robust Statement of Research Agenda that is reviewed and updated annually.
- Develop and manage communications strategies to support government policy initiatives and operational activities and to cultivate a positive corporate image. This includes promptly providing accurate, relevant and consistent information to stakeholders.
- Monitor perspectives and initiatives worldwide that relate to regulatory issues and responsible gambling. This includes fostering interagency and inter-jurisdictional collaborations.
- Guide and improve corporate planning and reporting by integrating the business planning, performance measurement and accountability processes.

KEY ACCOMPLISHMENTS

- Expanded regulatory, advisory and public information initiatives. This included providing research and communications support for a wide range of government and operational activities; introducing new messaging on consumer fraud protection; and producing operational and public interest print and online materials to inform and assist stakeholders.
- Received the Peoples' Choice Award from the National Council on Problem Gambling (USA) for the second flight of the MGCC's responsible gaming public education campaign.
- Conducted and managed a range of short- and long-term research projects in accordance with the annual research agenda and in response to emerging issues. Key research projects and milestones are captured in the Research Status Report.
- Developed and implemented a corporate communications crisis plan.
- Advanced understanding among staff of responsibilities and requirements related to The Freedom of Information and Protection of Privacy Act, records management and French language services. This included the implementation of a French Language Services Policy and the approval of all MGCC records schedules by Manitoba Archives.
- Coordinated annual planning and reporting processes in conjunction with the Finance Department and chief operating officer. MGCC's 2005/06 annual report received a Signature Award from the Advertising Association of Winnipeg.

STATEMENT OF RESEARCH AGENDA

The MGCC remains committed to ensuring that its activities are informed by a strong foundation of reliable, relevant research. The MGCC strives to be a leader in gaming research by conducting collaborative research with interagency and inter-jurisdictional partners to maximize resources, build research capacity and influence major initiatives.

The following chart provides a brief status report on each of the MGCC's major 2006/07 research projects.

*The complete Statement of Research Agenda is available on the MGCC's website at www.mgcc.mb.ca.

RESEARCH STATUS REPORT

RESEARCH PROJECT	TIMELINE	DATE INITIATED	COLLABORATIVE RESEARCH	INDEPENDENT RESEARCH	STATUS
Canadian Adolescent Gambling Inventory	Year 4 of 5	12/2003	✓		Instrument development and testing complete; Phase II report due in fall 2007.
Canadian Problem Gambling Index Review	Complete	11/2004	✓		Final report published in September 2006; planning underway for next steps.
Feasibility Study: Establishment of a First Nations Gaming Corporation(s)	Year 2 of 3	01/2006	✓		Interim results received in late 2006; final report expected in 2007/08.
Manitoba First Nations Gaming Market Study	Year 1 of 2	04/2006	✓		Project request for proposals issued in July 2007; results expected in 2007/08.
Manitoba Longitudinal Study of Young Adults	Year 2 of 7	03/2005	✓		Expert review of research plan and survey instrument complete; first cycle of data collection planned for fall 2007.
Manitobans and Gambling Surveys					
– Post-campaign Evaluation	Complete	01/2006		✓	Final report published in August 2006.
– Manitobans and Gambling II	Year 1 of 2	12/2006		✓	Data collection complete February 2006; final report due in fall 2007.
Social and Economic Impacts of Gambling Study	Year 4 of 5	01/2004	✓		Assumed chair of national committee in December 2006. Final framework due in fall 2007; planning underway for next steps.
Texas Hold'em Pilot Study	Complete	12/2005		✓	Project report submitted to Board of Commissioners in August 2006.

HUMAN RESOURCES

GOAL

To provide comprehensive human resources services that support strong employee-management relations, meet collective agreement and labour legislation commitments, and sustain operational responsibilities and corporate interests.

OPERATIONAL STRATEGIES

- Ensure a stable workforce through the negotiation and completion of a new collective agreement.
- Review and develop human resources policies and services to fill identified gaps, promote better awareness and understanding of human resources policies and ensure their clear and consistent application.
- Endorse and guide the MGCC's performance management strategy as a key tool for advancing strategic objectives and for promoting more effective management of the MGCC's most valuable resource, its employees.
- Anticipate and be flexible in building appropriate opportunities for learning and professional development that support and encourage innovation, participation and enhanced skills.

KEY ACCOMPLISHMENTS

- Completed negotiations and initiated implementation of all new terms for the collective agreement through to March 2010 and finalized reciprocal human resources agreements with MLC and the Province of Manitoba.
- Completed the second annual employee feedback survey and an inaugural management survey to assess organizational effectiveness and overall satisfaction. Ninety-four percent of employees chose to participate in the employee feedback survey. Employees continued to say that the MGCC is a great place to work (96%) and that they take pride in their work and accomplishments (88%). Employees also demonstrated a strong commitment to communication in all directions within the MGCC.
- Advanced professional development activities to improve employees' capacity to contribute to strategic and operational plans and objectives. This included offering formal cross-training and mentoring, creating a management development position to support succession planning, and delivering two customized workshops, one on time management and the other in preparation for the MGCC's new performance management initiative to be launched April 1, 2007.
- Provided comprehensive human resources services to management and staff on a range of issues.

A strong professional development strategy always includes extensive external learning opportunities. In 2006/07, MGCC staff and management participated in over 3,500 hours of training and professional enhancement in support of knowledge and competency development. This included presenting at conferences, formal classroom workshops, specialized skills training and online training courses.

The MGCC also encourages staff and management to benefit from participating in interagency and inter-jurisdictional forums and initiatives. During the past fiscal year, representatives from the MGCC served as president of the North American Gaming Regulators Association (NAGRA), chairperson of the Canadian Partnership for Responsible Gambling (CPRG), board member of the Midwest Gaming Investigators and Regulators (MGIR), chair of the national Social and Economic Impacts of Gambling Study, and on numerous committees and panels that advanced the sharing of knowledge and expertise.

CORPORATE SERVICES

Finance and information technology services are core corporate functions that support all other departments' activities.

FINANCE

GOALS

To support all functions of the MGCC by planning, managing, analysing and reporting all financial activities promptly and accurately and by controlling all financial and capital assets.

To ensure there is complete accountability and transparency in the financial records of the MGCC.

OPERATIONAL STRATEGIES

- Translate financial records into useful management tools by preparing frequent and consistent financial reports, reconciliations and variance analyses and by working closely with management in preparation of the annual business plan and budget.
- Ensure full financial accountability and transparency by managing and reporting all financial transactions promptly and accurately, and by providing all appropriate documentation for review by the Office of the Auditor General (OAG).
- Maximize returns on all assets by closely administering revenue and expense transactions, short- and long-term investment practices and capital asset management.
- Develop, standardize and update financial policies, procedures and control measures and ensure all staff understand and meet their obligations related to these.

KEY ACCOMPLISHMENTS

- Presented financial information on a consistent basis as a budget assessment, planning and variance analysis tool for management. This required acting as a key information resource for the MGCC Board of Commissioners' Audit Committee, established in September 2006, and providing guidance and expertise in financial forecasting and budgeting for 2007/08 strategic planning.
- Ensured that updates to financial information technology systems, to accounting practices and to financial policies were communicated to staff so that financial standards and principles would be applied consistently.
- Directed the extensive property management and financial activities required to lease additional space and ease space constrictions.
- Consolidated all financial information for the previous fiscal year and prepared year-end working papers and files for the OAG. Received a clear audit opinion for the tenth consecutive year from external auditors.

Compliance Audits

Audits are traditionally associated with assessing the suitability of an organization's financial record-keeping and reporting. The MGCC undergoes a financial audit annually, by independent external auditors, in keeping with sound financial accountability practices. The MGCC has always received a clear audit opinion for its year-end financial audits.

For the past two fiscal years, the MGCC has also participated in Compliance with Authority Audits by the OAG. This type of audit assesses an organization's compliance with government legislation, regulations and other standard government policies and serves to provide reasonable assurance that an organization is carrying out its responsibilities and activities as it should. This type of audit may assess activities related to governance, policies and procedures, among others.

For the years ending March 31, 2006, and March 31, 2007, the OAG audited the MGCC's compliance with financial reporting, budgeting and planning, safeguarding of assets, spending, revenue raising, borrowing, investing, Board of Commissioners' remuneration and expenses and trust activities. For both years, the OAG gave the MGCC a clear opinion on its compliance audits.

The MGCC views these compliance audits as an important tool in assessing how it meets its legislative obligations.

INFORMATION TECHNOLOGY

GOAL

To provide a fully functional, reliable and secure network of computers and telecommunications devices and services.

OPERATIONAL STRATEGIES

- Ensure that information system and communications resources are stable, secure and available to support all of the MGCC's operational activities with negligible interruption. This includes providing effective network security by implementing practical disaster recovery, firewall and backup procedures.
- Manage software and the MGCC's website to enable staff to share and report information effectively, and provide support for all information and communications tools that is prompt, capable and reliable.
- Monitor new technologies and stakeholder needs to inform and support resource planning and to efficiently manage the hardware inventory, the purchase and licensing of software, and the delivery of all communications technologies.

Information technology activities are focussed primarily on applications development and network administration. Skill and time resources are efficiently managed in these two areas by devoting approximately 75% to planned projects and 25% to other arising requests. This approach allows for continuing improvements to the Gaming Management System, while maintaining consistent network access for all users.

KEY ACCOMPLISHMENTS

- Prepared and circulated regular information technology newsletters to share best practices and provide advice regarding use of the MGCC's information and communications resources.
- Maintained over 99% availability of communications and information technology systems and devices, including public access to the MGCC's website at www.mgcc.mb.ca.
- Introduced automated patching to enable regular system enhancements and rapid rollout of critical fixes. Also performed hardware upgrades, conversions and replacements, including upgrading network switches to substantially improve the efficiency of network traffic control.
- Implemented ongoing improvements to the MGCC's website, including regular content updates to support new initiatives and increased access for licence holders to electronic versions of event and financial reporting forms.

GAMING MANAGEMENT SYSTEM ENHANCEMENTS

The ongoing development of the MGCC's Gaming Management System this past year included the following enhancements to improve key MGCC business processes:

- creating financial data collection and reporting tools that incorporate data validation and client certification mechanisms to eliminate processing errors;
 - building audit review enhancements that improve the effectiveness of licence holder risk-level assessment; and
 - modifying VLT siteholder and supplier registration modules to improve flow and links between registrant data.
-

FINANCIAL STATEMENTS

For the year ended March 31, 2007

Management Report

Auditors' Report

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MANAGEMENT REPORT

The Management of the Manitoba Gaming Control Commission (MGCC) is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information that it has prepared for this report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgments are made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by Manitoba's Office of the Auditor General (OAG), whose opinion is included herein. The OAG has access to the Board of Commissioners, with or without Management present, to discuss the results of their audit and the quality of financial reporting at the MGCC.



F. J. O. (Rick) Josephson
Executive Director



Dale Fuga
Chief Operating Officer

June 18, 2007



AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the balance sheet of the Manitoba Gaming Control Commission as at March 31, 2007 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

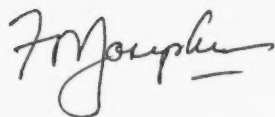
Office of the Auditor General

Winnipeg, Manitoba
June 18, 2007

MANAGEMENT'S CERTIFICATION OF COMPLIANCE

To: Board of Commissioners of the Manitoba Gaming Control Commission

We hereby confirm that for the year ended March 31, 2007, the Manitoba Gaming Control Commission has complied with the criteria established by the provisions of The Gaming Control Act, Regulations, Orders in Council and other applicable legislation as outlined in the attached Schedule.



F. J. O. (Rick) Josephson
Executive Director



Dale Fuga
Chief Operating Officer

June 18, 2007

MANITOBA GAMING CONTROL COMMISSION SCHEDULE OF LEGISLATIVE AND RELATED AUTHORITIES

Orders in Council

10/2003	Appointment of OAG as auditor of MGCC
446/2003	Commissioner reappointments to the MGCC Board
450/2002	Appointment of Executive Director
341/1997	Working capital advances

The Gaming Control Act

Subsections

s.3(1)	The Gaming Control Commission
s.5(1)	Annual reports
s.6(1)	Executive Director
s.55(1)	Banking
s.55(2)	General fund
s.55(3)	Deposit of monies
s.55(4)	Operating expenses
s.55(5)	Advances for working capital
s.55(6)	Payment of advances
s.55(7)	Investments
s.55(8)	Investments held in trust
s.55(9)	Fiscal year
s.55(10)	Records and accounts
s.55(11)	Annual budget
s.55(12)	Auditor
s.55(13)	Disposition of surplus money
s.56(2)	Powers of Commission respecting property
s.59(e)	Regulations by Lieutenant Governor in Council
s.59(e.1)	Regulations by Lieutenant Governor in Council
s.60(1)(d)	Regulations by Commission - prescribing of fees
s.60(1)(d.1)	Regulations by Commission - remittance of fees

Regulations

Section 12	Payment of annual fee
Section 20(1) to 20(4)	License fees and when payable
Section 21(1) to 21(3)	Registration fees including Schedule (section 21)
Section 22	Payment of fees
Section 23	Reduction on application

The Public Sector Compensation Disclosure Act

s.2(1)	Disclosure required
s.2(2)	Consistent reporting required
s.3(1)	Manner of disclosure
s.3(2)	Names and positions or classifications to be disclosed



AUDITORS' REPORT ON COMPLIANCE

To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the Manitoba Gaming Control Commission's compliance for the year ended March 31, 2007 with the provisions of the legislative and related authorities outlined in Management's Certification of Compliance pertaining to its financial reporting, budgeting and planning, safeguarding of assets, spending, revenue raising, borrowing, investing, board remuneration and expenses, and trust activities.

Compliance with the legislative and related authorities is the responsibility of the management of the Manitoba Gaming Control Commission. Our responsibility is to express an opinion on compliance based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstance.

In our opinion, the Manitoba Gaming Control Commission has complied, in all significant respects, with the specified legislative and related authorities for the year ended March 31, 2007.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 18, 2007

MANITOBA GAMING CONTROL COMMISSION BALANCE SHEET

For the year ended March 31

	2007	2006
ASSETS		
Current Assets		
Cash	\$ 46,070	\$ 23,976
Short-term investments (Note 2b)	3,230,478	3,358,337
Accounts receivable (Note 3)	38,987	27,527
Prepaid expenses	27,281	18,832
	3,342,816	3,428,672
Long Term Receivable – Province of Manitoba (Note 6)	146,079	146,079
Capital Assets (Note 4)	416,193	410,464
	\$ 3,905,088	\$ 3,985,215
LIABILITIES AND SURPLUS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 521,812	\$ 354,397
Deferred revenue (Note 5)	1,915,391	1,901,670
	2,437,203	2,256,067
Provision for employee severance benefits (Note 6)	167,739	164,966
Provision for employee pension benefits (Note 10)	61,638	51,199
Deferred lease inducements (Note 7)	6,125	16,625
	2,672,705	2,488,857
Surplus	1,232,383	1,496,358
	\$ 3,905,088	\$ 3,985,215

On behalf of the Board:



Director



Director

MANITOBA GAMING CONTROL COMMISSION STATEMENT OF OPERATIONS AND SURPLUS

For the year ended March 31

	2007	2006
Revenue		
Registration fees	\$ 3,539,404	\$ 3,420,305
License fees	993,847	1,066,349
	4,533,251	4,486,654
Expenses		
Salaries and benefits	3,434,808	3,145,370
Legal and professional fees	364,237	139,480
Rent	211,418	145,698
Transportation	140,920	131,187
Supplies and services	114,493	86,366
Amortization	105,069	123,672
Education, training, and conference	104,624	112,429
Communications	104,056	104,967
Public Education	95,069	179,602
Commission Board	59,985	66,656
Other expenses	51,823	22,230
First Nations legal and professional	47,919	13,864
Accommodations	45,915	48,466
HR/Systems support	21,301	140,458
	4,901,637	4,460,445
Income (loss) before other items	(368,386)	26,209
Other Items		
Interest income	86,604	56,105
Other income	17,807	79,867
	104,411	135,972
Excess revenue (expenses)	(263,975)	162,181
Surplus, beginning of year	1,496,358	1,334,177
Surplus, end of year	\$ 1,232,383	\$ 1,496,358

The accompanying notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION STATEMENT OF CASH FLOWS

For the year ended March 31

	2007	2006
Cash Flows from Operating Activities		
Excess of revenue over expenses	\$ (263,975)	\$ 162,181
Items not involving cash		
Amortization of capital assets	105,069	123,672
Amortization of capital assets related to the Commission Board	2,024	2,588
	(156,882)	288,441
Changes in non-cash working capital balances		
Accounts receivable	(11,460)	14,485
Prepaid expenses	(8,449)	(1,837)
Accounts payable and accrued liabilities	167,415	(48,757)
Deferred revenue	13,721	98,945
Provision for employee pension benefits	10,439	51,199
Provision for employee severance benefits	2,773	14,312
	17,557	416,788
Cash Flows from Investing Activities		
Purchase of capital assets	(112,822)	(44,297)
Cash Flows from Financing Activities		
Deferred lease inducements	(10,500)	(10,500)
Increase (decrease) in cash and cash equivalents during the year	(105,765)	361,991
Cash and cash equivalents, beginning of year	3,382,313	3,020,322
Cash and cash equivalents, end of year	\$ 3,276,548	\$ 3,382,313
Represented by		
Cash	\$ 46,070	\$ 23,976
Short-term investments	3,230,478	3,358,337
	\$ 3,276,548	\$ 3,382,313

The accompanying notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2007

1. NATURE OF BUSINESS

The Manitoba Gaming Control Commission was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

b. Short-Term Investments

Short-term investments are carried at cost, which approximates market value. Funds available for short-term investment are invested with the Province of Manitoba, in accordance with Section 55(7) of The Gaming Control Act.

c. Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

d. Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20% declining balance basis
Furniture and fixtures	10% declining balance basis
Computer equipment	30% declining balance basis

e. Revenue Recognition

Revenue and expenses are recorded on an accrual basis except for license and supplier registration fees, which are recognized on a cash receipt basis.

f. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

	2007	2006
Trade	\$ 5,897	\$ 3,868
Manitoba Lotteries Corporation	19,150	7,750
Employee Advances	11,917	11,917
Supplier Investigations	2,023	3,992
	\$ 38,987	\$ 27,527

MANITOBA GAMING CONTROL COMMISSION NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2007

4. CAPITAL ASSETS

2007

	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 66,362	\$ 53,627	\$ 12,735
Furniture and fixtures	360,360	187,376	172,984
Computer equipment	1,020,977	790,503	230,474
	\$ 1,447,699	\$ 1,031,506	\$ 416,193

2006

	Cost	Accumulated Amortization	Net Book Value
Equipment	\$ 65,453	\$ 50,632	\$ 14,821
Furniture and fixtures	307,998	173,388	134,610
Computer equipment	972,302	711,269	261,033
	\$ 1,345,753	\$ 935,289	\$ 410,464

5. DEFERRED REVENUE

Deferred revenue consists of registration fees received to be recognized as revenue in the year in which the related expenses are incurred.

6. PROVISION FOR EMPLOYEE SEVERANCE BENEFITS

Effective April 1, 1998, the Commission commenced recording the estimated liability for accumulated severance pay benefits for certain of its employees. The amount of this estimated liability is determined using the triennial actuarial report of severance obligations as at December 31, 2004, adjusted to March 31, 2007. The Commission will begin recording the estimated liability for accumulated severance pay benefits for the remainder of its employees effective April 1, 2007 based on a new collective agreement. The incremental cost of this additional liability for 2007/08 is estimated to be \$309,280.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout

is currently 17 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Commission.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Commission's employees. Accordingly, the Commission recorded a receivable of \$146,079 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998. There are no specific terms of repayment for this receivable and there have been no repayments made by the Province to date.

MANITOBA GAMING CONTROL COMMISSION NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2007

7. DEFERRED LEASE INDUCEMENTS

The organization has received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements are amortized over the term of the lease on a straight-line basis as reductions of rental expense. Rental expense has been reduced by \$10,500 for the period ending March 31, 2007 (\$10,500 in 2006) and a final reduction of \$6,125 is expected for the year 2008.

8. COMMITMENTS

The organization has an operating lease for its premises expiring in 2016.

The minimum annual lease payment for the next five years is:

2008	252,519
2009	259,297
2010	266,076
2011	272,855
2012	281,329

9. ECONOMIC DEPENDENCE

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees.

10. PENSION PLANS

Effective April 1, 2005, all employees are members of the Province of Manitoba's defined benefit Superannuation Fund ("the Fund").

The Commission matches employees' current pension contributions to the Fund. Variances between actual funding estimates and actual experience will be revealed in future valuations which may require an increase in the funding contribution rates. Based on the triennial actuarial report of pension obligations as at December 31, 2004, adjusted to March 31, 2007, a reserve of \$61,638 has been established as a pension liability for employees whose annual earnings exceed the limit under the Fund plan.

The Commission's portion of contributions to the Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are \$156,027. Contributions for the 2006 year were \$143,280.

11. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

BOARD OF COMMISSIONERS 2006/07

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*This report is also available on the Manitoba Gaming Control Commission's website at www.mgcc.mb.ca.
La version française de ce rapport annuel est disponible au site Web de la Commission de régie du jeu
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